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Memorandum

TO: work2future Finance Committee

FROM: Chris Donnelly, Assistant
Director, work2future

SUBJECT: Budget Reconciliation of
Proposed Spending Plan for
Economic Stimulus Funding

DATE: June 3, 2009

Approved

Date

Chris Donnelly for Jeff Ruster 6/3/09

RECOMMENDATION

Finance Committee approval of work2future's revised budget and related spending plan for American Recovery and Reinvestment Act (ARRA) funding as detailed below.

The initial spending plans for the Adult and Youth programs were presented as an information item to the Executive Committee on February 19, 2009 and approved as an action item by the Finance Committee on March 11, 2009. The Youth Program Spending Plan, which is a key component of the overall Spending Plan, was presented and approved by the Youth Council Committee on February 24, 2009.

The Executive Committee approved the recommendation at its meeting of June 8, 2009. The recommendation of the Finance Committee will be forwarded to the Board for its meeting of June 18, 2009.

BACKGROUND AND ANALYSIS

The U.S. House of Representatives and the Senate approved the Federal Stimulus Package in February 2009. In April 2009, work2future received its final allocation of \$11,857,306, consisting of \$2,026,103 for the Adult Program, \$4,448,400 for the Dislocated Worker Program, \$4,744,413 for the Youth Program, and \$638,390 for Rapid Response. The increase/(decrease) in funding allocation for each program is shown in the table below:

| Program | Projected Allocation | Final Allocation | Variance Incr/(Decr) |
|-----------------------------|----------------------|-------------------|----------------------|
| Adult and Dislocated Worker | 4,955,833 | 6,474,503 | 1,518,670 |
| Youth | 4,896,728 | 4,744,413 | (152,315) |
| Rapid Response | 0 | 638,390 | 638,390 |
| Total | 9,852,561 | 11,857,306 | 2,004,745 |

Based on the discussion at the February Executive Committee meeting, staff was directed to bring forward as an action item a revised ARRA budget and spending plan to reconcile the variance between the projected and final allocations.

The information provided herein focuses on work2future's full ARRA allocation. The ARRA budget for FY 09-10 is covered under a separate memo (Proposed Combined Operating Budget for FY 09-10).

Youth Budget

The final Youth ARRA allocation in the amount of \$4,744,413 is \$152,315 lower than the projected allocation of \$4,896,728. The table below provides an overview of the revised budget and spending plan.

| Item | Projected Allocation | Final Allocation | Incr/ (Decr) |
|---|----------------------|------------------|------------------|
| <i>Personnel Cost:</i> | | | |
| Summer Youth Participants (estimate for 1,200 participants) | 3,067,627 | 3,973,441 | 905,814 |
| Summer Youth Staff | 829,228 | 148,936 | (680,292) |
| Subtotal Personnel Cost | 3,896,855 | 4,122,377 | 225,522 |
| <i>Non-Personnel Cost:</i> | | | |
| Work Readiness Supplies | 10,000 | 0 | (10,000) |
| Printing | 15,000 | 0 | (15,000) |
| Travel/Mileage | 20,000 | 0 | (20,000) |
| Subtotal Non-Personnel Cost | 45,000 | 0 | (45,000) |
| <i>Client-Related:</i> | | | |
| Supportive Services (\$150/participant) | 150,000 | 150,000 | 0 |
| Youth Incentives (\$250/participant for completion of Work Readiness Cert.) | 250,000 | 250,000 | 0 |
| Other Costs: Testing Materials, Rentals of Workstations/Computers/Office Equipment/Facilities/Payroll, Fingerprinting | 150,000 | 222,036 | 72,036 |
| Subtotal Client-Related | 550,000 | 622,036 | 72,036 |
| <i>Other:</i> | | | |
| Unallocated | 404,873 | 0 | (404,873) |
| Total | 4,896,728 | 4,744,413 | (152,315) |

Based on the discussions with the work2future Executive and Finance Committees on February 19, 2009 and March 11, 2009, respectively, staff has modified the budget to serve 1,200 Summer Youth participants. The projected allocation previously presented was calculated based on 1,000 participants. In addition, the final allocation includes FICA and City Overhead for Summer Youth participants. At the time the projected allocation was presented, staff had not received direction from City Finance Department whether Youth participants' salaries would be considered salary or stipend, and hence whether FICA and overhead would be applicable.

The total cost to operate the Summer Youth Program for 1,200 participants is \$5,469,705. However work2future received only \$4,744,413 for the final Youth allocation; therefore \$680,292 personnel cost and \$45,000 non-personnel cost will be sourced from the WIA Regular Youth allocation FY 08-09 savings.

The revised plan for the final Youth allocation to take into account the \$152,315 decrease in funding is as follows:

- Personnel Cost (Summer Youth participants) – increase of \$905,814 is attributed to the following: \$259,236 FICA and \$350,251 City Overhead were not included in the prior calculation as City Finance had not yet determined whether youth participants' reimbursement would be considered salary or stipend, \$54,900 wages for the Summer Youth orientation were not previously included in the projected allocation, and \$241,427 was due to the increase in the number of youth participants from 1,000 to 1,200;
- Personnel Cost (Summer Youth staff) – decrease of \$680,292 pertains to ARRA staff positions that were moved to WIA Regular Youth allocation to allow for additional funding for client-related services;
- Non-Personnel Cost – reduction of \$45,000, this amount will be funded from WIA Regular Youth allocation to better streamline tracking of non-personnel costs;
- Client-Related – increase of \$72,036 in Other Costs will cover fingerprinting services and other materials; and
- Unallocated – decrease of \$404,873 in unallocated costs due to utilization of the full Youth ARRA allocation in FY 09-10.

work2future plans to spend its full Youth ARRA allocation during FY 2009-2010.

Adult and Dislocated Worker Budget

work2future received its final allocation of \$6,474,503 for the Adult and Dislocated Worker Programs, an increase of \$1,518,670 from the projected allocation of \$4,955,833. The table below provides an overview of the revised budget and spending plan.

| Item | Projected Allocation | Final Allocation | Incr/ (Decr) |
|--|----------------------|------------------|------------------|
| Personnel Cost | 1,677,803 | 1,494,094 | (183,709) |
| <i>Non-Personnel Cost:</i> | | | |
| Other Professional Services (Geomapper, Claritas, and State-Wide Databases; Labor Market Studies; i-Train enhancements) | 180,000 | 240,000 | 60,000 |
| Other Non-Personnel | 75,000 | 26,459 | (48,541) |
| Subtotal Non-Personnel Cost | 255,000 | 266,459 | 11,459 |
| <i>Client Related:</i> | | | |
| Training: ETPL, OJT, Adult Internships Program, Online Training | 1,250,000 | 2,443,300 | 1,193,300 |
| Supportive Services | 200,000 | 995,200 | 795,200 |
| Job Fairs | 0 | 110,000 | 110,000 |
| Green Corps Program | 0 | 375,000 | 375,000 |
| Computers, Office Equipment, Additional Workstations: Rental/Purchase | 100,000 | 100,000 | 0 |
| Other Client Related (Assessment, Toolbox, Career Café, Needs Related Payments, Entrepreneurial/Small Business Development, Individual Interview Coaching) | 400,000 | 404,000 | 4,000 |
| Workshops | 692,500 | 0 | (692,500) |
| Subtotal Client Related | 2,642,500 | 4,427,500 | 1,785,000 |
| <i>Other:</i> | | | |
| Unallocated | 380,530 | 286,450 | (94,080) |
| | | | |
| Total | 4,955,833 | 6,474,503 | 1,518,670 |

The revised plan for the final Adult and Dislocated Worker allocations to take into account the \$1,518,670 increase in funding is as follows:

- Personnel Cost – savings of \$183,709 due to anticipated delay in hiring positions projected for the program;
- Non-Personnel Cost – overall increase of \$11,459 is attributed to the following:
 - \$60,000 increase in Other Professional Services will cover enhancements for ARRA clients in i-Train, work2future's client database system; and
 - \$48,541 decrease in Other Non-Personnel Cost pertains to supplies and printing/advertising to be sourced from the WIA Regular Adult and Dislocated Worker budgets;
- Client-Related – total increase of \$1,785,000 is due to the following:
 - \$1,193,300 increase in Training to cover a new menu of training services such as Online Training and the Adult Internship Program, as well as an increase in ETPL and revival of the OJT program;
 - \$795,200 increase in Supportive Services is due to new supportive services including one-time COBRA payments, gas vouchers to assist eligible clients in completing their training and/or job search;
 - \$110,000 increase in Job Fairs which was previously funded from the WIA Regular allocation will now be funded from the Adult and Dislocated Worker allocation;
 - \$375,000 will fund the implementation of the Green Corps Program, a new pilot program for at-risk youth;
 - \$4,000 increase in Other Client Related to accommodate additional client related services; and
 - \$692,500 reduction in Workshops will be funded from the WIA Regular Adult and Dislocated Worker allocations;
- Unallocated – decrease of \$94,080 in unallocated costs will be used to cover Administrative support and program services for FY 2010-2011.

Rapid Response Budget

In April 2009 work2future received \$638,690 in Rapid Response Stimulus funding, which was not previously presented. The table below summarizes the planned Rapid Response expenditures:

| Item | Final Allocation |
|-----------------------------------|------------------|
| Personnel Cost | 301,480 |
| Client Layoff Workforce Materials | 100,310 |
| Other Professional Services | 236,600 |
| Total | 638,390 |

The spending plan for the final Rapid Response allocation is as follows:

- Personnel Cost – \$301,480 for four Temporary (Unclassified) employees to assist with layoff aversion, business outreach, and business closures;

- Client Layoff Workforce Materials - \$100,310 for additional outreach materials such as handbooks, flip guides, and pamphlets for distribution to employers undergoing layoffs and for clients at the One Stop centers; and
- Other Professional Services - \$236,600 total which consists of \$125,000 for GeoMapper enhancements, \$40,000 for Rapid Response website enhancements, and \$71,600 for labor market information and layoff aversion studies, strategies, and development.

BUDGET IMPACT


The proposed spending plans for the Adult and Youth program will augment the current operating budget for FY 09-10. The additional stimulus funding will allow work2future to administer a summer youth program in house that will serve up to 1,200 youth clients. In addition, the additional funding for the Adult program will support a new array of programs and a larger ETPL training budget of approximately \$1.2 million—four times bigger than work2future's current training budget. The additional funding will also be used to increase work2future's current workshop and client supportive services and needs-related budgets.

Because work2future received a lower final allocation than had been previously projected and due to the increased number of Summer Youth participants to be served, the Youth Stimulus allocation was exceeded by \$725,292. This amount will be funded from the WIA Regular Youth allocation FY08-09 savings.

Pursuant to WIA regulations, the Local Workforce Investment Area must conduct oversight and monitoring of its WIA activities to determine whether there is compliance with programmatic, accountability, and transparency provisions of the ARRA, and other applicable laws and regulations.

The EDD Employment and Training Administration (ETA) is developing reporting requirements for the ARRA funds with the intent to minimize any new data collection requirements.

Any ARRA updates will be provided to the work2future Executive Committee, Finance Committee and the Youth Council on a regular basis.



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cc: Paul Krutko
Joy Salandanan

/dl/jvs/cd